

MAYOR, DAY & CALDWELL

1900 REPUBLICBANK CENTER  
HOUSTON, TEXAS 77002  
TWX 910-881-6917  
CABLE MAYDAYHOU  
(713) 225-7000

P.O. BOX 61269  
HOUSTON, TEXAS 77208

October 10, 1988

Ms. Noreta McGee  
Office of the Secretary  
Interstate Commerce Commission  
Washington, D.C. 20423

1 5891  
RECORDATION NO. FINE 1000

8-299A092-  
No.  
Date OCT 25 1988  
Fee \$ 13.00

OCT 25 1988 11 42 AM ICC Washington, D.C.

Dear Ms. McGee:

**INTERSTATE COMMERCE COMMISSION**

On behalf of First Interstate Bank of Texas, N.A., I have enclosed for filing one executed counterpart and one certified true copy of a primary document entitled "Security Agreement" dated September 28, 1988, to be recorded pursuant to 49 U.S.C. §11303(a) and the regulations promulgated thereunder.

This primary document is a Security Agreement between the following parties:

P & F Leasing Company - Debtor  
P. O. Box 79262  
Houston, Texas 77279

First Interstate Bank of Texas, N.A. - Secured Party  
P. O. Box 3326  
Houston, Texas 77253-3326

OCT 25 10 52 AM '88  
NOT RECORDED

A description of the equipment covered by this document is as follows:

Five (5) 23,500 gallon nominal capacity tank cars, DOT111A100W3, coiled and insulated; bearing Registration Numbers GLNX 24100, 24101, 24102, 24103, 24104 together with all parts, accessories, replacements, accessions, substitutions relating thereto and all rights to receive and collect all rentals, liquidated damages, proceeds of sale, all per diem mileage or other payments now or hereafter to become payable under leases permitted hereby or with respect to such Equipment and all accounts, chattel paper, contract rights, leases and general intangibles with respect thereto, including, without limitation, all rights in, to and under that certain management agreement with Glenco Transportation Services, Inc., and all renewals,

extensions or replacement agreements relating thereto, whether now existing or hereafter arising and all rights to payments thereunder.

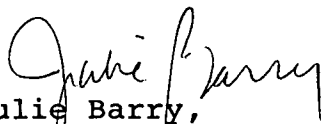
A short summary of the document to appear in the Index is as follows:

Security Agreement by P & F Leasing Company as Debtor in favor of First Interstate Bank of Texas, N.A. as Secured Party covering Five (5) 23,500 gallon nominal capacity tank cars, DOT111A100W3, coiled and insulated; bearing Registration Numbers GLNX 24100, 24101, 24102, 24103, 24104 together with all parts, accessories, replacements, accessions, substitutions relating thereto and all rights to receive and collect all rentals, liquidated damages, proceeds of sale, all per diem mileage or other payments now or hereafter to become payable under leases permitted hereby or with respect to such Equipment and all accounts, chattel paper, contract rights, leases and general intangibles with respect thereto, including, without limitation, all rights in, to and under that certain management agreement with Glenco Transportation Services, Inc., and all renewals, extensions or replacement agreements relating thereto, whether now existing or hereafter arising and all rights to payments thereunder.

Enclosed is our firm's check in the amount of \$10.00 in payment of the filing fee.

Once the filings have been made please return to the undersigned the original and any extra copies of the document not required for filing purposes, together with the fee receipt, the letter from the ICC acknowledging the filing, and the two extra copies of this letter of transmittal.

Very truly yours,

  
Julie Barry,  
Attorney for First Interstate  
Bank of Texas, N.A.

JB:mbd

Enclosures

JB08:17

MAYOR, DAY & CALDWELL

1900 REPUBLICBANK CENTER  
HOUSTON, TEXAS 77002  
TWX 910-881-6917  
CABLE MAYDAYHOU  
(713) 225-7000

P.O. BOX 61269  
HOUSTON, TEXAS 77208

October 20, 1988

Ms. Mildred Lee  
Interstate Commerce Commission  
12th & Constitution, N.W.  
Room 2303  
Washington, DC 20423

Re: First Interstate Bank/P & F Leasing

Dear Ms. Lee:

In accordance with our telephone conversation last Friday, I am enclosing our firm check in the amount of \$3.00 in payment of the additional filing fee required to file the Security Agreement which was forwarded to the ICC by my letter of October 10, 1988.

Thank you for your assistance in this matter.

Very truly yours,

Julie Barry

JB:mbd

Enclosure

JB09:21

**Interstate Commerce Commission**  
Washington, D.C. 20423

10/25/88

OFFICE OF THE SECRETARY

Julie Barry.  
Mayor Day & Caldwell  
1900 Republic Bank Center  
Houston, Texas 77002

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/25/88 at 11:00am, and assigned recordation number(s). 15891

Sincerely yours,

*Nesta L. McEneaney*

Secretary

Enclosure(s)

OCT 25 1988 - 11 20 AM

**INTERSTATE COMMERCE COMMISSION**

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated September 28, 1988, is made by P & F Leasing Company, a Texas general partnership (the "Grantor"), in favor of First Interstate Bank of Texas, N.A. (the "Bank") whose business address is P.O. Box 3326, Houston, Texas 77253-3326, and agrees with the Bank as follows:

SECTION 1. Definitions. All terms used in this Agreement which are defined in the Article 9 of the Uniform Commercial Code (the "Code") currently in effect in the State of Texas and which are not otherwise defined herein shall have the same meanings herein as set forth therein.

SECTION 2. Grant of Security Interest. As security for the prompt satisfaction of all Obligations (as defined in Section 3 hereof) and any and all other obligations, indebtedness or liabilities of the Grantor to the Bank, in any capacity arising from time to time, the Grantor hereby assigns, transfers and sets over to the Bank all of its right, title and interest in and to, and grants a security interest in, and a lien on, all amounts that may be owing from time to time by the Bank to the Grantor in any capacity, including, without limitation, any balance or share, or any deposit or other account with the Bank belonging to the Grantor, which lien and security interest shall be independent of, and in addition to, any right of set-off that the Bank may have. As additional collateral security for all of the Obligations, the Grantor hereby pledges and assigns to the Bank, and grants to the Bank a continuing security interest in and to all of the Grantor's right, title and interest in and to the following described property (hereinafter called the "Collateral"):

(a) all of the Grantor's right, title and interest in and to all equipment of any kind, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, including, without limitation, the equipment described in Exhibit "A" attached hereto, and all parts thereof and accessions thereto and substitutions or replacements therefor (any and all such equipment, parts, accessions, substitutions and replacements being hereinafter referred to as the "Equipment");

(b) all of the Grantor's right, title and interest in and to (i) all accounts, contract rights, chattel paper, instruments, monies, documents, general intangibles and other rights or obligations of any kind, whether now or hereafter existing and whether now owned or hereafter acquired, arising out of or in connection with the sale or lease of the Equipment (without implying the Bank's consent thereto) or the rendering of services or otherwise in connection with the Equipment, (ii) all

agreements with Glenco Transportation Services, Inc., whether now existing or hereafter arising, including all renewal, extension, replacement or substitution agreements relating thereto (the "Management Agreement") and all rights to any payments thereunder; and (iii) all security agreements, leases and other contracts now or hereafter existing and securing or otherwise relating to the Equipment or any such accounts, contract rights, chattel paper, instruments, general intangibles or obligations referred to in clause (i) above (including, without limitation, the contracts and leases described in Exhibit "C" hereto), together with all rights to receive and collect rentals, liquidated damages, per diem mileage or other payments now or hereafter to become payable with respect to the Equipment and the accounts, contract rights, chattel paper and general intangibles relating thereto (any and all such accounts, contract rights, chattel paper, instruments, general intangibles, obligations and payments being hereinafter referred to as the "Receivables," and any and all such security agreements, leases and other contracts being hereinafter referred to as the "Related Contracts"); and

(c) all proceeds of any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not the Bank is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral;

in each case, howsoever the Grantor's interest therein may arise or appear (whether by ownership, security interest, claim or otherwise).

SECTION 3. Security for Obligations. The security interest created hereby in the Collateral constitutes continuing collateral security for all of the following obligations, whether now existing or hereafter incurred (the "Obligations"):

(a) the prompt payment by the Grantor, as and when due and payable, of all amounts from time to time owing by it in respect of that one certain promissory note (the "Note") in the original principal amount of \$79,641.31 of even date herewith executed by the Grantor and payable to the order of the Bank, and all renewals and extensions of the Note.

(b) the due performance and observance by the Grantor of all of its obligations under this Agreement.

(c) all costs incurred by the Bank to obtain, preserve, perfect, protect and enforce this Agreement and the security interest herein granted and to maintain and collect upon the

Collateral, including, but not limited to, taxes, assessments, insurance premiums, reasonable attorneys' fees and legal expenses and any other costs of protection, repossession and enforcement or sale of any of the Collateral; and

(d) all loans, advances, including any future advances, interest, indebtedness, notes, liabilities and amounts, liquidated or unliquidated, direct or indirect, fixed or contingent, matured or unmatured, now or hereafter owed or owing by the Grantor, in any capacity and however evidenced or arising, to the Bank, including any indebtedness of the Grantor due to third persons or entities which have been endorsed, assigned or otherwise acquired by the Bank, whether now existing or hereafter contracted, it being contemplated that the Bank may acquire such other indebtedness.

SECTION 4. Representations and Warranties. The Grantor represents and warrants as follows:

(a) The Grantor (i) is a general partnership duly organized, validly existing and in good standing under the laws of the State of Texas, and (ii) has all requisite power and authority to execute, deliver and perform this Agreement.

(b) The execution, delivery and performance by the Grantor of this Agreement (i) have been duly authorized by all necessary partnership action, (ii) do not and will not contravene its partnership agreement, any law or contractual restriction binding on or affecting the Grantor or any of its properties, and (iii) do not and will not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties.

(c) This Agreement is a legal, valid and binding obligation of the Grantor, enforceable against the Grantor in accordance with its terms.

(d) All Equipment now existing is, and all Equipment hereafter existing will be, located at the address(es) specified therefor in Exhibit "B" attached hereto. The Grantor's chief place of business and chief executive office, the place where the Grantor keeps its records concerning Receivables and all originals of all chattel paper which constitute Receivables are located at the address specified therefor in Exhibit "B" attached hereto. None of the Receivables is evidenced by a promissory note or other instrument. Set forth as Exhibit "B" hereto is a complete and correct list of each trade name used by the Grantor.

(e) The Grantor has delivered to the Bank complete and correct copies of each Related Contract described in Exhibit "C" hereto, including all schedules and exhibits thereto. Each such Related Contract sets forth the entire agreement and understanding of the parties thereto relating to the subject matter thereof, and there are no other agreements, arrangements or understandings, written or oral, relating to the matters covered thereby or the rights of the Grantor in respect thereof. Each Related Contract now existing is, and each other Related Contract will be, the legal, valid and binding obligation of the parties thereto, enforceable against such parties in accordance with its terms. No default thereunder by any such party has occurred, nor does any defense, offset, deduction or counterclaim exist thereunder in favor of any such party.

(f) The Grantor is and will be at all times the owner of the Collateral free and clear of any lien, security interest or other charge or encumbrance except for the security interest created by this Agreement. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording or filing office except such as may have been filed in favor of the Bank relating to this Agreement.

(g) The exercise by the Bank of any of its rights and remedies hereunder will not contravene law or any contractual restriction binding on or affecting the Grantor or any of its properties and will not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties.

(h) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or other regulatory body is required for (i) the due execution, delivery and performance by the Grantor of this Agreement, (ii) the grant by the Grantor, or the perfection, of the security interest purported to be created hereby in the Collateral or (iii) the exercise by the Bank of any of its rights and remedies hereunder, except for the filing under the Code of the financing statement(s) required to be filed in connection with this Agreement and all notices required to be filed with the Interstate Commerce Commission, all of which financing statements and notices have been duly filed and are in full force and effect.

(i) This Agreement creates a valid security interest in favor of the Bank in the Collateral, as security for the Obligations. The Bank's having possession of all instruments and cash constituting Collateral from time to time and the filing of the financing statements and monies required to be filed pursuant

to this Agreement results in the perfection of such security interest. Such security interest is, or in the case of Collateral in which the Grantor obtains rights after the date hereof, will be, a perfected, first priority security interest. Such filings and all other action necessary or desirable to perfect and protect such security interest have been duly taken, except for the Bank's having possession of instruments and cash constituting Collateral after the date hereof.

(j) All financial or credit statements or information of or relating to the Grantor or the partners of the Grantor delivered to, or relied upon by, the Bank prior to, contemporaneously with and subsequent to the execution of this Agreement, are or will be true, correct, complete and valid, and all other information of any kind or character relating to the Grantor or the partners of the Grantor furnished to the Bank is or will be true, correct and complete and valid.

SECTION 5. Covenants as to the Collateral. So long as any of the Obligations shall remain outstanding, unless the Bank shall otherwise consent in writing:

(a) Further Assurances. The Grantor will at its expense, at any time and from time to time, promptly execute and deliver all further instruments and documents and take all further action that may be necessary or desirable or that the Bank may request in order (i) to perfect and protect the security interest purported to be created hereby; (ii) to enable the Bank to exercise and enforce its rights and remedies hereunder in respect of the Collateral; or (iii) to otherwise effect the purposes of this Agreement, including, without limitation: (A) marking conspicuously each chattel paper included in the Receivables and each Related Contract and, at the request of the Bank, each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Bank, indicating that such chattel paper, Related Contract or Collateral is subject to the security interest created hereby, (B) if any Receivable shall be evidenced by a promissory note or other instrument or chattel paper, delivering and pledging to the Bank hereunder such note, instrument or chattel paper duly indorsed and accompanied by executed instruments of transfer or assignment, all in form and substance satisfactory to the Bank, (C) executing and filing such financing or continuation statements, or amendments thereto, as may be necessary or desirable or that the Bank may request in order to perfect and preserve the security interest purported to be created hereby, and (D) furnishing to the Bank from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the

Collateral as the Bank may reasonably request, all in reasonable detail.

(b) Location of Equipment and Inventory. The Grantor will keep the Equipment at the location[s] specified therefor in Section 4(d) hereof.

(c) Condition of Equipment. The Grantor will cause the Equipment to be maintained and preserved in the same condition, repair and working order as when acquired and in accordance with any manufacturer's manual, and will forthwith, or in the case of any loss or damage to any Equipment as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements and other improvements in connection therewith which are necessary or desirable or that the Bank may request to such end. The Grantor will promptly furnish to the Bank a statement respecting any loss or damage to any Equipment.

(d) Taxes. The Grantor will pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Equipment, except to the extent the validity thereof is being contested in good faith by proper proceedings which stay the imposition of any penalty, fine or lien resulting from the non-payment thereof and with respect to which adequate reserves have been set aside for the payment thereof.

(e) Insurance.

(i) The Grantor will, at its own expense, maintain insurance with respect to the Equipment in such amounts, against such risks, in such form and with such insurers, as shall be satisfactory to the Bank from time to time. Each policy for liability insurance shall provide for all losses to be paid on behalf of the Bank and the Grantor as their respective interests may appear, and each policy for property damage insurance shall provide for all losses to be paid directly to the Bank. Each such policy shall in addition (A) name the Grantor and the Bank as insured parties thereunder (without any representation or warranty by or obligation upon the Bank) as their interests may appear, (B) contain the agreement by the insurer that any loss thereunder shall be payable to the Bank on its own account notwithstanding any action, inaction or breach of representation or warranty by the Grantor, (C) provide that there shall be no recourse against the Bank for payment of premiums or other amounts with respect thereto and (D) provide that at least 30 days' prior written notice of cancellation or of lapse shall be given to the Bank by the insurer. The Grantor will, if so requested by the

Bank, deliver to the Bank original or duplicate policies of such insurance and, as often as the Bank may reasonably request, a report of reputable insurance broker with respect to such insurance. The Grantor will also, at the request of the Bank, duly exercise and deliver instruments of assignment of such insurance policies and cause the respective insurers to acknowledge notice of such assignment.

(ii) Reimbursement under any liability insurance maintained by the Grantor pursuant to this Section 5(e) may be paid directly to the Person who shall have incurred liability covered by such insurance. In the case of any loss involving damage to Equipment as to which paragraph (iii) of this Section 5(e) is not applicable, the Grantor will make or cause to be made the necessary repairs to or replacements of such Equipment, and any proceeds of insurance maintained by the Grantor pursuant to this Section 5(e) shall be paid to the Grantor as reimbursement for the costs of such repairs or replacements.

(iii) Upon the occurrence and during the continuance of an Event of Default or the actual or constructive total loss of any Equipment, all insurance payments in respect to such Equipment shall be paid to the Bank and applied as specified in Section 8(b) hereof.

(f) Provisions Concerning the Receivables and the Related Contracts.

(i) The Grantor will (A) give the Bank prompt notice of any change in the Grantor's name, identity or ownership structure, (B) keep its chief place of business and all originals of all chattel paper which constitute Receivables at the location[s] specified therefor in Section 4(d) hereof, and (C) keep adequate records concerning the Receivables and such chattel paper and permit representatives of the Bank at any time during normal business hours to inspect and make abstracts from such records and chattel paper.

(ii) The Grantor will duly perform and observe all of its obligations under each Related Contract and, except as otherwise provided in this subsection (f), continue to collect, at its own expense, all amounts due or to become due under the Receivables. In connection with such collections, the Grantor may (and, at the Bank's direction, will) take such action as the Grantor or the Bank may deem necessary or advisable to enforce collection or performance of the Receivables; provided, however, that the Bank shall have the right at any time, upon the occurrence and during the continuance of an Event of Default or an event which, with the giving of notice or lapse of time or both,

would constitute an Event of Default, and upon written notice to the Grantor of its intention to do so, to notify the account debtors or obligors under any Receivables of the assignment of such Receivables as to the Bank and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Grantor thereunder directly to the Bank and, upon such notification and at the expense of the Grantor and to the extent permitted by law, to enforce collection of any such Receivables and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Grantor might have done. After receipt by the Grantor of the notice from the Bank referred to in the proviso to the immediately preceding sentence, (A) all amounts and proceeds (including instruments) received by the Grantor in respect of the Receivables shall be received in trust for the benefit of the Bank hereunder, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Bank in the same form as so received (with any necessary indorsement) to be held as cash collateral and either (1) released to the Grantor so long as no Event of Default shall have occurred and be continuing or (2) if any Event of Default shall have occurred and be continuing, applied as specified in Section 8(b) hereof, and (B) the Grantor will not adjust, settle or compromise the amount or payment of any Receivable or release wholly or partly any account debtor or obligor thereof or allow any credit or discount thereon.

(iii) Upon the occurrence and during the continuance of any breach or default under any Related Contract referred to in Exhibit "C" hereto by any party thereto other than the Grantor, (A) the Grantor will promptly after obtaining knowledge thereof, give the Bank written notice of the nature and duration thereof, specifying what action, if any, it has taken and proposes to take with respect thereto, (B) the Grantor will not, without the prompt written consent of the Bank, declare or waive any such breach or default or affirmatively consent to the cure thereof or exercise any of its remedies in respect thereof, and (c) the Grantor will, upon written instructions from the Bank and at the Grantor's expense, take such action as the Bank may deem necessary or advisable in respect thereof.

(iv) The Grantor will, at its expense, promptly deliver to the Bank a copy of each notice or other communication received by it by which any other party to any Related Contract referred to in Exhibit "C" purports to exercise any of its rights or affect any of its obligations thereunder, together with a copy of any reply by the Grantor thereto.

(v) The Grantor will not, without the prior written consent of the Bank, cancel, terminate, amend, modify, or

waive any provision of, any Related Contract referred to in Exhibit "C".

(g) Transfers and Other Liens. The Grantor will not (i) sell, assign (by operation of law or otherwise), exchange or otherwise dispose of any of the Collateral, or (ii) create or suffer to exist any lien, security interest or other charge or encumbrance upon or with respect to any Collateral except for the security interest created hereby.

SECTION 6. Additional Provisions Concerning the Collateral.

(a) The Grantor hereby authorizes the Bank to file, without the signature of the Grantor where permitted by law, one or more financing or continuation statements, and amendments thereto, relating to the Collateral.

(b) The Grantor hereby irrevocably appoints the Bank the Grantor's attorney-in-fact and proxy, with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time in the Bank's discretion, to take any action and to execute any instrument which the Bank may deem necessary or advisable to accomplish the purposes of this Agreement (subject to the rights of the Grantor under Section 5(f) hereof), including, without limitation, (i) to obtain and adjust insurance required to be paid to the Bank pursuant to Section 5(e) hereof, (ii) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any Collateral, (iii) to receive, indorse, and collect any drafts or other instruments, documents and chattel paper in connection with clause (i) or (ii) above, and (iv) to file any claims or take any action or institute any proceedings which the Bank may deem necessary or desirable for the collection of any Collateral or otherwise to enforce the rights of the Bank with respect to any Collateral.

(c) If the Grantor fails to perform any agreement contained herein, the Bank may itself perform, or cause performance of, such agreement or obligation, and the expenses of the Bank incurred in connection therewith shall be payable by the Grantor pursuant to Section 9 hereof.

(d) The powers conferred on the Bank hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Bank shall have no duty as to any Collateral or as to the taking of

any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

(e) If the Bank should at any time be of the opinion that the Collateral is not sufficient or has declined in value, then the Bank may call for additional Collateral satisfactory to the Bank, and the Grantor promises to furnish such additional security forthwith. The call for additional Collateral may be oral, by telegram, or United States mail addressed to the Grantor and shall not affect any other subsequent right of the Bank to exercise the same.

(f) Anything herein to the contrary notwithstanding, (i) the Grantor shall remain liable under the Related Contracts to the extent set forth therein to perform all of its obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by the Bank of any of its rights hereunder shall not release the Grantor from any of its obligations under the related contracts and (iii) the Bank shall not have any obligation or liability by reason of this Agreement under the Related Contracts, nor shall the Bank be obligated to perform any of the obligations or duties of the Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 7. Events of Default. The Grantor shall be in default under this Agreement upon the happening of any of the following events or conditions (herein called an "Event of Default"):

(a) The Grantor's failure to pay when due any Obligation secured by this Agreement, either principal or interest.

(b) Default by the Grantor in the punctual performance of any of the other Obligations, covenants, terms or provisions contained in or referred to in this Agreement or in the Note secured hereby.

(c) Any warranty, representation, or statement contained in this Agreement, or made or furnished to the Bank by or on behalf of the Grantor in connection with this Agreement or to induce the Bank to make a loan to the Grantor proves to have been false in any material respect when made or furnished.

(d) Loss, theft, substantial damage, or destruction to or of any material part of the Collateral.

(e) Any sale, transfer, assignment, conveyance, encumbrance or other disposition of any material part of the Collateral, or the making of any levy, seizure or attachment thereof.

(f) The Grantor's liquidation, dissolution, termination of existence, insolvency or business failure; the appointment of a receiver, liquidator, custodian, trustee or sequestrator (or similar official) of all or any part of the property of the Grantor; and assignment for the benefit of creditors by the Grantor; the calling of a meeting of creditors of the Grantor; or the commencement of any proceeding under any bankruptcy or insolvency laws by or against the Grantor or any guarantor, surety or endorser for the Grantor.

(g) Any statement of the financial condition of the Grantor or of any partner of the Grantor or of any guarantor or surety of any liability of the Grantor to the Bank submitted to the Bank by the Grantor or any partner of the Grantor or any guarantor or surety proves to be false in any material respect.

(h) Any material adverse change shall occur in the assets, liabilities, financial condition, business, operations or circumstances of the Grantor which causes the Bank to deem itself insecure.

SECTION 8. Remedies Upon Default. If any Event of Default shall have occurred and be continuing:

(a) The Bank may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all of the rights and remedies of a secured party on default under the Code (whether or not the Code applies to the affected Collateral), and also may (i) require the Grantor to, and the Grantor hereby agrees that it will at its expense and upon request of the Bank forthwith, assemble all or part of the Collateral as directed by the Bank and make it available to the Bank at a place to be designated by the Bank which is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Bank's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Bank may deem commercially reasonable. The Grantor agrees that, to the extent notice of sale shall be required by law, at least 10 days' notice to the Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Bank shall not be obligated to make any sale of Collateral regardless

of notice of sale having been given. The Bank may adjourn any public or private sale from time to time by announcement at the time and place to which it was so adjourned.

(b) Any cash held by the Bank as collateral and all cash proceeds received by the Bank in respect of any sale of, collection from, or other realization upon, all or any part of the Collateral may, in the discretion of the Bank, be held by the Bank as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Bank pursuant to Section 9 hereof) in whole or in part by the Bank against, all or any part of the Obligations in such order as the Bank shall elect. Any surplus of such cash or cash proceeds held by the Bank and remaining after payment in full of all of the Obligations shall be paid over to the Grantor or to such Person as may be lawfully entitled to receive such surplus.

(c) In the event that the proceeds of any such sale, collection or realization are insufficient to pay all amounts to which the Bank is legally entitled, the Grantor shall be liable for the deficiency, together with interest thereon at the highest rate specified in the Note for interest on overdue principal thereof or such other rate as shall be fixed by applicable law, together with the costs of collection and the reasonable fees of any attorneys employed by the Bank to collect such deficiency.

#### SECTION 9. Indemnity and Expenses.

(a) The Grantor agrees to indemnify the Bank from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting solely and directly from the Bank's gross negligence or willful misconduct, but including claims, losses or liabilities that may result from the Bank's mere negligence.

(b) The Grantor will upon demand pay to the Bank the amount of any and all costs and expenses, including the fees and disbursements of the Bank's counsel and of any experts and agents, which the Bank may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral, (iii) the exercise or enforcement of any of the rights of the Bank hereunder, or (iv) the failure by the Grantor to perform or observe any of the provisions hereof.

SECTION 10. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be

mailed, telegraphed or delivered, if to the Grantor, to it at its address specified next to its signature below; if to the Bank, to it at its address specified above; or as to either such Person at such other address as shall be designated by such Person in a written notice to such other Person complying as to delivery with the terms of this Section 10. All such notices and other communications shall be effective (i) if mailed, when deposited in the mails, (ii) if telegraphed, when delivered to the telegraph company, or (iii) if delivered, upon delivery.

SECTION 11. Miscellaneous.

(a) No amendment of any provision of this Agreement shall be effective unless it is in writing and signed by the Grantor and the Bank, and no waiver of any provision of this Agreement, and no consent to any departure by the Grantor therefrom, shall be effective unless it is in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder or under any other document or instrument executed in connection herewith shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Bank provided herein and in any other document or instrument executed in connection herewith are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law. The rights of the Bank under any document or instrument against any party thereto are not conditional or contingent on any attempt by the Bank to exercise any of its rights under any other document or instrument against such party or against any other Person.

(c) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(d) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the payment in full or release of the Obligations, (ii) be binding on the Grantor and its representatives, agents, successors and assigns and shall inure, together with all rights and remedies of the Bank hereunder, to the benefit of the Bank

and its successors, transferees and assigns. Without limiting the generality of clause (ii) of the immediately preceding sentence, the Bank may assign or otherwise transfer the Note, and its rights under any other document executed in connection therewith, to any other person, and such other person shall thereupon become vested with all of the benefits in respect thereof granted to the Bank herein or otherwise. None of the rights or obligations of the Grantor hereunder may be assigned or otherwise transferred without the prior written consent of the Bank.

(e) Upon the satisfaction in full of the Obligations, (i) this Agreement and the security interest created hereby shall terminate, and all rights to the Collateral shall revert to the Grantor, and (ii) the Bank will, upon the Grantor's request and at the Grantor's expense, (A) return to the Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and (B) execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination.

(f) This Agreement shall be governed by and construed in accordance with the law of the State of Texas, except as required by mandatory provisions of law and except to the extent that the validity and perfection or the perfection and the effect of perfection or non-perfection of the security interest created hereby, or remedies hereunder, in respect of any particular Collateral are governed by the law of a jurisdiction other than the State of Texas.

IN WITNESS WHEREOF, the Grantor has caused this Agreement to be executed and delivered by its general partners thereunto duly authorized, as of the date first above written.

P & F LEASING COMPANY

Address:

P.O. Box ~~13688~~ 79262  
Houston, Texas ~~70015~~ 77279

By:   
Title: General Partner

By:   
Title: General Partner

0988151  
WP0967

EXHIBIT A

Equipment

Five (5) 23,500 gallon nominal capacity railroad tank cars, DOT 111A100W3, exterior coiled and insulated, with 100-ton roller bearing trucks, bearing the following numbers: GLNX 24100, 24101, 24102, 24103, and 24104

0988151/15  
WPO967

EXHIBIT B

1. Location(s) of Equipment:

GLUX CORPORATION  
25231 GROGANS MILL ROAD  
THE WOODLANDS, TX 77380

2. Grantor's chief place of business, chief executive office and place where the Grantor keeps its records concerning Receivables.

P&F LEASING CO.  
P.O. BOX 7922  
HOUSTON, TX 77279

0988151/16  
WP0967

EXHIBIT C

Certain Related Contracts

1. Management Agreement dated November 1, 1979 between Grantor and Glenco Transportation Services, Inc.

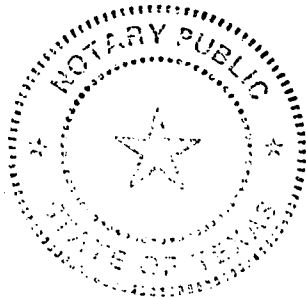
0988151/17  
WP0967

THE STATE OF TEXAS     )  
                                      )  
COUNTY OF HARRIS     )

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared GARY L. FORBES on behalf of P & F Leasing Company, a Texas general partnership, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that same was executed for the purpose and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 28 day of September, 1988.

JB08:17a

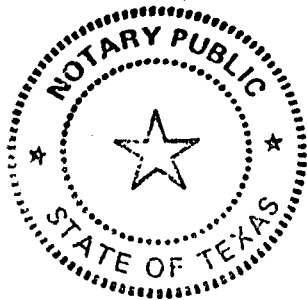


Judith Morgan  
Notary Public  
My commission expires 4/8/89

THE STATE OF TEXAS     )  
                                      )  
COUNTY OF HARRIS     )

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared MELVIN K. PANKEY on behalf of P & F Leasing Company, a Texas general partnership, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that same was executed for the purpose and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 28<sup>th</sup> day of September, 1988.



JB08:17a

Judith J. Morgan  
Notary Public  
My Commission Expires 4/8/89

STATE OF TEXAS           )  
                                  )  
COUNTY OF HARRIS       )

CERTIFICATION OF TRUE COPY

I, Julie Barry, a member of the Bar of the State of Texas, do hereby certify that I have compared the attached copy of the document entitled "Security Agreement" with an executed original counterpart thereof and find the said attached copy to be in all respects a true, correct and complete copy of the aforesaid executed original counterpart.

IN WITNESS WHEREOF, the undersigned has hereto affixed his/her signature this 10th day of October, 1988.

Julie Barry

Subscribed and sworn to before me this 10th day of October, 1988.

Rosemarie Maw  
Notary Public

My Commission Expires:

4/24/89

JB08:17b

ROSEMARIE MAW  
Notary Public, State of Texas  
My Commission Expires April 24, 1989  
Bonded by Lovett Agency, Lawyers Surety Corp.